

BRADLEY COUNTY "911"
EMERGENCY COMMUNICATIONS DISTRICT

AUDIT REPORT

TWELVE MONTHS ENDED JUNE 30, 2012

BRADLEY COUNTY "911"
EMERGENCY COMMUNICATIONS DISTRICT

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June 30, 2012

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Bradley County 911 Communications Center

Joe Wilson
Director

Management's Discussion and Analysis

Our discussion and analysis of the Bradley County 911 Emergency Communications District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2012. This should be read in conjunction with the District's financial statements, which may be found elsewhere in this document.

Using This Annual Report

This annual report consists of a series of financial statements. The statement of net assets and statement of revenues, expenses and changes in net assets provide information about the activities of the District as a whole and present an overview of the District's finances.

The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets

One of the most important questions asked about any entity's finances is: "How did the District do financially this year?" The statement of net assets and statement of revenues, expenses and changes in net assets report information in a way that helps answer this question. These statements include all assets and liabilities using accrual basis accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net assets and changes in net assets. Net assets -- the difference between assets and liabilities -- are one way to measure the District's financial health, or its financial position. Over time, increases or decreases to the District's net assets are an indicator of whether its financial health is improving or deteriorating. An analysis of net assets and changes in net assets is as follows:

	<u>2012</u>	<u>2011</u>
Net Assets		
Current and other assets	\$ 1,901,356	\$ 1,861,593
Capital assets	<u>566,192</u>	<u>598,469</u>
Total assets	2,467,548	2,460,062
Current liabilities	(80,103)	(131,992)
Long-term liabilities	<u>(295,536)</u>	<u>(190,657)</u>
Total liabilities	<u>(375,639)</u>	<u>(322,649)</u>
Net Assets	<u>\$ 2,091,909</u>	<u>\$ 2,137,413</u>
Summary of net assets -		
Invested in capital assets	566,192	598,469
Unrestricted	<u>1,525,717</u>	<u>1,538,944</u>
Total Net Assets	<u>\$ 2,091,909</u>	<u>\$ 2,137,413</u>
Change in Net Assets		
Operating revenues	\$ 1,348,752	\$ 1,323,663
Operating expenses	<u>2,309,450</u>	<u>2,403,764</u>
Operating loss	(960,698)	(1,080,101)
Non-operating income	<u>915,194</u>	<u>916,006</u>
Change in Net Assets	(45,504)	(164,095)
Net Assets - beginning	<u>2,137,413</u>	<u>2,301,508</u>
Net Assets - ending	<u>\$ 2,091,909</u>	<u>\$ 2,137,413</u>

Analysis of Financial Position and Results of Operations

The District's net assets have decreased by \$48,616 over the previous year. Operating revenue increased 1.90% due to an increase in operational funding received from the TECB. Operating expenses decreased 3.92% due to decreases in salaries and wages, contracted services and supplies and materials.

The District's Net Assets

The District completed the year with net assets of \$2,091,909, a decrease of \$48,616 over the previous year.

Budgetary Highlights

In order to prevent budget overruns, the final budget was amended. The significant changes were to salary expenses and post employment health benefit expense.

Capital Assets

At the end of the accounting period, the District had \$566,192 in capital assets such as communication and office equipment, furniture and fixtures and building and improvements. This amount represents a decrease of \$32,277 or 5.39%.

Financial Activity and Plans for Future Needs

The District invested in a logger/recorder system to record phone and radio audio. The new recorder will work with the Nextgen (NG) 911 system and will provide for storage of various media such as texts and images. For redundancy, recordings are stored on several servers at the 911 center. Future plans call for backing up recordings offsite as well.

The District will purchase 911 PSAP equipment in the upcoming fiscal year. The State of Tennessee is migrating toward an IP-based 911 system, which is the forerunner of NG 911. The new PSAP equipment will place Bradley County in a position to receive and process IP-based 911 calls from both wireless and wireline phones. When the nationwide rollout of NG 911 is complete, 911 centers will be able to receive texts, still and video imagery as well as other forms of communication currently under development. The new PSAP equipment will be a state-of-the-art system and will be fully backward compatible with legacy equipment presently in use. Purchases of NG-capable PSAP and related equipment are reimbursable by the State.

Joseph B. Wilson, Jr.
Director

BRADLEY COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
ROSTER OF BOARD OF DIRECTORS AND MANAGEMENT
June 30, 2012

Danny Lawson, Chairman

Wes Snyder, Vice Chairman

Janice Casteel, Treasurer

Steve Haun, Secretary

Gary Davis, Member

Tom Rowland, Member

Connie Spencer, Member

Troy Spence, Member

Hank Hayden, Member

Dewey Woody, Member

John England, Member

Grant Pirkle, Member

Jim Ruth, Member

FINANCIAL SECTION

HARTING, BISHOP & ARRENDALE, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

ELIZABETH HARTING, CPA
KELVIN W. BISHOP, CPA
THOMAS H. ARRENDALE, CPA, MBA

JANICE L. HAYES, CPA
CASSIE BELL, CPA

MEMBER
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
TENNESSEE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Bradley County "911" Emergency
Communications District

We have audited the accompanying financial statements of Bradley County "911" Emergency Communications District as of and for the year ended June 30, 2012. These financial statements are the responsibility of Bradley County "911" Emergency Communications District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Bradley County "911" Emergency Communications District, as of June 30, 2012, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2012, on our consideration of the Bradley County "911" Emergency Communications District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 through 3, schedules of pension plan and postemployment benefits funding progress on page 24 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing

the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Bradley County "911" Emergency Communications District's basic financial statements. The budgetary comparison schedule on pages 21 through 23 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements.

Harting, Bishop & Arrendale, PLLC

Harting, Bishop & Arrendale, PLLC

Cleveland, Tennessee

November 19, 2012

BRADLEY COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2012

ASSETS

Current Assets

Cash and cash equivalents	\$ 1,672,038
Certificates of deposit	131,364
Accounts receivable	96,259
Accrued interest receivable	526
Prepaid expense	<u>1,169</u>
Total Current Assets	<u>1,901,356</u>

Capital Assets

Furniture and fixtures	156,302
Office equipment	76,789
Communications equipment	1,575,800
Leashold improvements	<u>70,208</u>
Total Capital Assets	1,879,099
Accumulated Depreciation	<u>(1,312,907)</u>
Capital Assets, net	<u>566,192</u>

Total Assets \$ 2,467,548

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$ 6,108
Accrued payroll	26,303
Compensated absences	<u>47,692</u>
Total Current Liabilities	<u>80,103</u>

Long-term Liabilities

Postemployment health benefit liabilities	<u>295,536</u>
Total Liabilities	<u>375,639</u>

Net Assets

Invested in capital assets	566,192
Unrestricted	<u>1,525,717</u>
Total Net Assets	<u>2,091,909</u>

Total Liabilities and Net Assets \$ 2,467,548

The accompanying notes are an integral part of this financial statement.

BRADLEY COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2012

OPERATING REVENUES

Emergency telephone service charge	\$ 725,130
TECB - shared wireless charge	230,386
TECB - operational funding	346,917
Tower rental income	32,430
Miscellaneous income	13,889
Total Operating Revenues	<u>1,348,752</u>

OPERATING EXPENSES

Salaries and Wages	
Director	74,330
Administrative personnel	236,154
Dispatchers	767,733
Overtime	35,489
Bonuses	23,000
Supplemental pay	3,011
Longevity pay	10,500
Sold vacation pay	5,335
College pay	1,030
Total Salaries and Wages	<u>1,156,582</u>

Employee Benefits

Social security	83,319
Life insurance	12,619
Medical insurance	172,851
Dental insurance	11,695
Unemployment compensation	12,750
Retirement compensation	134,981
Other fringe benefits	4,634
Postemployment health benefit expense	104,879
Total Employee Benefits	<u>537,728</u>

Contracted Services

Advertising	767
Audit services	8,748
Administrative fees - service charge	21,638
Fees paid to service providers	61,183
Impact payments	79,900
Janitorial services	8,433
Legal services	8,880
NCIC/TBI/TIES expenses	8,000

(Continued on next page)

The accompanying notes are an integral part of this financial statement.

BRADLEY COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the Year Ended June 30, 2012

(continued from previous page)

Lease/Rental - buildings and facilities	2,400
Computer system administration	74,656
Maintenance and repairs - communications equipment	78,253
Maintenance and repairs - buildings and facilities	5,378
Maintenance and repairs - office equipment	12,930
Total Contracted Services	<u>371,166</u>
Supplies and Materials	
Office supplies	9,508
Custodial supplies	4,045
Postage	429
Small equipment purchases	10,607
Uniforms and shirts	1,820
Utilities - electric	17,581
Utilities - general telephone	21,258
Utilities - cell phone and pagers	13,667
Total Supplies and Materials	<u>78,915</u>
Other Charges	
Board meeting expenses	2,972
Dues and memberships	1,478
Employee testing and exams	4,780
Insurance - workers compensation	4,812
Insurance - liability	10,725
Insurance - buildings and content	4,905
Insurance - equipment	412
License and fees	176
Premiums on surety bonds	1,621
Service awards	473
Training expense	10,287
Travel expenses	15,217
Other charges	1,282
Total Other Charges	<u>59,140</u>
Depreciation	
Depreciation expense	<u>105,919</u>
Total Depreciation	<u>105,919</u>
Total Operating Expenses	<u>2,309,450</u>

(Continued on next page)

The accompanying notes are an integral part of this financial statement.

BRADLEY COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the Year Ended June 30, 2012

(continued from previous page)

Operating Loss	<u>(960,698)</u>
NON-OPERATING REVENUES	
Interest income	6,104
Contributions from primary government	900,000
Contributions from other governments and agencies	<u>9,090</u>
Non-Operating Revenue	<u>915,194</u>
Net Loss	(45,504)
Net Assets, beginning	<u>2,137,413</u>
Net Assets, ending	<u>\$ 2,091,909</u>

The accompanying notes are an integral part of this financial statement.

BRADLEY COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2012

Cash Flows from Operating Activities	
Cash received from surcharges and other revenues	\$ 1,373,592
Cash payments to suppliers for goods and services	(511,476)
Cash payments for payroll, taxes and related benefits	<u>(1,631,297)</u>
Net Cash Used by Operating Activities	<u>(769,181)</u>
Cash Flows from Noncapital Financial Activities	
Contributions from primary government	900,000
Contributions from other governments	<u>9,090</u>
Net Cash Provided by Noncapital Financing Activities	<u>909,090</u>
Cash Flows from Capital and Related Financing Activities	
Purchase of capital assets	<u>(73,642)</u>
Net Cashed Used by Capital and Related Financing Activities	<u>(73,642)</u>
Cash Flows from Investing Activities	
Redemption of certificates of deposit	32,421
Interest income received	<u>6,181</u>
Net Cash Provided by Investing Activities	<u>38,602</u>
Net Increase in Cash and Cash Equivalents	104,869
Cash and Cash Equivalents at Beginning of Year	<u>1,567,169</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,672,038</u>

(Continued on next page)

The accompanying notes are an integral part of this financial statement.

BRADLEY COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2012

Reconciliation of Operating Income (Loss) to Net Cash	
Provided (Used) by Operating Activities	
Operating loss	\$ (960,698)
Adjustments to reconcile net income (loss) to net cash	
provided (used) by operating activities	
Depreciation expense	105,919
Change in assets and liabilities:	
Decrease in receivables	24,839
Decrease in accounts payable	(6,214)
Decrease in accrued payroll	(42,416)
Decrease in compensated absences	(3,259)
Decrease in prepaid expenses	7,769
Increase in postemployment health benefit liabilities	<u>104,879</u>
Net Cash Used by Operating Activities	<u>\$ (769,181)</u>

The accompanying notes are an integral part of this financial statement.

BRADLEY COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

NOTE 1 - General Information

Public Chapter No. 867 of the 1984 Tennessee Public Acts ("The Emergency Communications District Law") was enacted to establish local emergency telephone services; to provide for the funding of such services and such district; and to provide for the levying of a telephone service charge. On July 1, 2001, the Cleveland/Bradley Communications Center and the Bradley County "911" Emergency Communications District, each originally created to serve such functions, merged to form one emergency communication entity. The District is an agency of the City of Cleveland, the City of Charleston, and Bradley County, Tennessee, from which it receives additional revenues.

NOTE 2 - Summary of Significant Accounting Policies

Basis of Accounting

As a government agency, the District is subject to standards prescribed by the Governmental Accounting Standards Board (GASB). The financial statements of Bradley County "911" Emergency Communications District are prepared on the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The District applies Financial Accounting Standards Board (FASB) pronouncements issued before November 30, 1989, unless they conflict with or contradict GASB Guidance.

Cash and Cash Equivalents

Cash and cash equivalents are highly liquid investments which have original maturities of three months or less.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fixed Assets

Expenditures for fixed assets are recorded at historical cost. Fixed assets are depreciated using the straight-line method. The District generally capitalizes assets with a cost of \$500 or more. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. Estimated useful lives, in years, for depreciable assets are as follows:

Furniture and fixtures	5-10
Office Equipment	5-10
Communication equipment	5-10
Leasehold improvements	5-10

BRADLEY COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

NOTE 2 - Summary of Significant Accounting Policies (continued)

Joint Venture

Bradley County "911" Emergency Communications District is a joint venture between Bradley County, Tennessee and the Cities of Cleveland and Charleston, Tennessee. The District assists emergency service agencies in the saving of lives, protection of property, and swift apprehension of criminals for all citizens of Bradley County. The board consists of ten ex-officio members including: the County Mayor, the City of Cleveland Mayor, the City of Charleston Police Chief, the County Sheriff, the Cleveland Police Chief, the Cleveland Fire Chief, the Director of Emergency Medical Services, the Director of the Emergency Management Agency, Cleveland City Manager and Bradley County Fire Chief, along with three persons appointed by the County Mayor with the approval of the County Commission and the City of Cleveland Council.

Compensated Absences

Full-time, permanent employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the District. Up to thirty days vacation may be carried forward into the following calendar year. Any excess accumulated vacation days are converted to sick leave. Each employee also has the option annually to convert up to 5 unused vacation days to cash. Employees are entitled to their accrued vacation leave upon termination of service. Compensated absences are reported as accrued in the District's financial statements.

Budgets and Budgetary Accounting

The District is required by state statute to adopt annual budgets. As such, the District employs formal budget integration as a management control device during the year. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP). Then, the budget is legally enacted through passage of an ordinance. Expenditures may not legally exceed appropriations and any revisions authorized by the board. Appropriations lapse at the end of each fiscal year.

NOTE 3 - Cash on Deposit

The treasurer of the District is responsible for receiving, disbursing, depositing and investing the District's funds. The District's policy related to deposits and investment risk is to invest in certificates of deposit usually with a maturity of three years or less. The District's policy is designed to maximize its earnings, while protecting the security and providing maximum liquidity, in accordance with all applicable state laws. All deposits with a bank or other financial institution shall be secured by collateral or in a collateral pool as allowed by state statutes. As of June 30, 2012 all deposits with financial institutions were secured by collateral or by State of TN Bank collateral pool. A schedule of cash and investments classified by category of credit risk at June 30, 2012 is as follows:

BRADLEY COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

NOTE 3 - Cash on Deposit (continued)

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Cash, insured by Federal Depository Insurance (FDIC)	\$ 250,000	\$ 250,000
Cash, collateralized by the State of TN Bank Collateral Pool	1,421,988	1,445,866
Certificates of Deposit, insured by FDIC	131,364	131,364
Petty Cash	50	50
Total	<u>\$ 1,803,402</u>	<u>\$ 1,827,280</u>

NOTE 4 - Accounts Receivable

The account receivable balance represents amounts due from the telephone companies' subscriber service charges at June 30, 2012.

NOTE 5 - Fixed Assets

The following is a schedule of changes to fixed assets:

	<u>June 30, 2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2012</u>	<u>Accumulated Depreciation June 30, 2012</u>
Furniture and fixtures	\$ 154,212	\$ 2,090	\$ -	\$ 156,302	\$ 63,419
Office equipment	76,789	-	-	76,789	50,747
Communications equipment	1,504,248	71,552	-	1,575,800	1,150,036
Leasehold improvements	70,208	-	-	70,208	48,705
Total	<u>\$ 1,805,457</u>	<u>\$ 73,642</u>	<u>\$ -</u>	<u>\$ 1,879,099</u>	<u>\$ 1,312,907</u>

Provision for depreciation totaled \$105,919 for the year ended June 30, 2012.

NOTE 6 - Risk Management - Claims and Insurance

Significant losses are covered by commercial insurance for property, liability, and employee dishonesty. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current or the three prior years.

BRADLEY COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

NOTE 7 - Lease Commitments

The District leases the land on which the communications center is located from Cleveland Utilities. The lease agreement provides that the annual rental shall be in the amount of \$1 per year payable in advance. The term of the lease, which originated October 25, 1996, is for a period of twenty years. The District has the option to renew the lease for one additional period of twenty years under the same terms and conditions as the original lease.

NOTE 8 - Impact Payments

The building used as the communications center for the District is owned by the City of Cleveland, Tennessee. The City issued bonds in the amount of \$1.1 million to finance the construction of the communications center and purchase of necessary equipment. Under the terms of the bond resolution, the City must own the building. The District will make impact payments to the City in the amount of the annual debt service requirements on the bonds. Impact payments for the year ended June 30, 2012 totaled \$79,900.

NOTE 9 - Retirement Plan

Plan Description

Employees of Bradley County "911" Emergency Communications District are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979 become vested after five years of service and members joining prior to July 1, 1979 were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Bradley County "911" Emergency Communications District participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to political subdivision unless approved by the chief governing body.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at www.treasury.state.tn.us. Copies of footnotes in PDF format can be accessed at<http://www.treasury.state.tn.us/tcrs/PS/>.

BRADLEY COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

NOTE 9 - Retirement Plan (continued)

Funding Policy

Bradley County "911" Emergency Communications District has adopted a noncontributory retirement plan for its employees by assuming employee contributions up to 5.0 percent of annual covered payroll.

Bradley County "911" Emergency Communications District is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2012 was 12.41% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Bradley County "911" Emergency Communications District is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ending June 30, 2012, Bradley County "911" Emergency Communications District's annual pension cost of \$129,989 to TCRS was equal to Bradley County "911" Emergency Communications District required and actual contributions. The required contribution was determined as part of the July 1, 2009 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected 3.0 percent annual rate of inflation, (c) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) projected post retirement increases of 2.5 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. Bradley County "911" Emergency Communications District's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2009 was 8 years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2012	\$141,742	100.00%	\$0.00
June 30, 2011	\$111,927	100.00%	\$0.00
June 30, 2010	\$129,989	100.00%	\$0.00

BRADLEY COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

NOTE 9 - Retirement Plan (continued)

Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the plan was 93.00 percent funded. The actuarial accrued liability for benefits was \$1.55 million, and the actuarial value of assets was \$1.44 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.11 million. The covered payroll (annual payroll of active employees covered by the plan) was \$1.02 million, and the ratio of the UAAL to the covered payroll was 10.63 percent.

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

The annual required contribution (ARC) was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 01, 2011	\$1,438	\$1,547	\$108	93.00%	\$1,018	10.63%
July 01, 2009	\$965	\$1,100	\$135	87.72%	\$1,018	13.27%
July 01, 2007	\$736	\$894	\$158	82.33%	\$1,028	15.37%

NOTE 10 – Postemployment benefits

In June 2004, The Governmental Accounting Standards Board issued Statement No. 45 ("GASB 45"), *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. GASB 45's objective is to establish standards for the measurement, recognition, and display of post-employment benefit expenses, related liabilities, note disclosures, and required supplementary information. GASB 45 does not require funding of plan benefits. The District has implemented GASB 45 in the year ended June 30, 2010. GASB 45 was implemented prospectively with a zero net OPEB obligation at transition.

BRADLEY COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

NOTE 10 – Postemployment benefits (continued)

Plan Description

The District provides postretirement medical, dental and life insurance benefits to employees who retire from the District with 25 years of service, or age 55 with 10 years of service. Medical benefits are provided using a point of service (POS) plan through CIGNA. Dental benefits are provided using a preferred provider organization (PPO) through Blue Cross/Blue Shield. Boston Mutual Life Insurance provides life insurance benefits. The following schedule applies to employees with over 10 years of service. If the retiree has family coverage the District will pay half the difference between the cost of the family plan and the cost of the individual plan.

<u>Years of Service At Retirement</u>	<u>Percentage of Premium Paid by Participant</u>
<15	100.00%
15	50.00%
16	46.67%
17	40.33%
18	40.00%
19	36.67%
20	33.33%
21	30.00%
22	26.67%
23	23.33%
24	20.00%
25	16.67%
26	13.33%
27	10.00%
28	6.67%
29	3.33%
30+	0.00%

Funding Policy and Annual OPEB Cost

The District's annual other postemployment benefit (OPEB) cost (expense) for the plan is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The District's annual OPEB cost for the current year are as follows:

BRADLEY COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

NOTE 10 – Postemployment benefits (continued)

Annual Required Contribution (ARC)	\$110,726
Interest on net OPEB obligation	7,626
Adjust to annual required contribution	<u>(8,802)</u>
Annual OPEB cost (expense)	109,550
Contribution made	<u>(4,671)</u>
Increase in net OPEB obligation	104,879
Net OPEB obligation – June 30, 2011	<u>190,657</u>
Net OPEB obligation – June 30, 2012	<u>\$295,536</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the next OPEB obligation for 2012 is as follows:

Fiscal Year <u>Ending</u>	Annual <u>OPEB Cost</u>	Percentage of Annual OPEB <u>Cost Contributed</u>	Net OPEB <u>Obligation</u>
6/30/12	\$109,550	4.3%	\$295,536

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2012, was as follows:

Actuarial accrued liability (AAL)	\$ 799,689
Actuarial value of plan assets	<u>0</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 799,689</u>
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$ 1,156,581
UAAL as a percentage of covered payroll	69.14%

Actuarial Methods and Assumptions

In the July 1, 2011 actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 4.00% funding interest rate. The 2011 medical cost trend rate used was 9% with an ultimate medical cost trend rate of 5% projected to be reached in 2015. The annual payroll growth rate is assumed to be 2.5%. The remaining amortization period for the unlimited actuarial accrued liability as of June 30, 2012 is 27.2 years.

SUPPLEMENTARY INFORMATION

BRADLEY COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
BUDGET COMPARISON SCHEDULE
For the Year Ended June 30, 2012

	Actual (Accrual Basis)	Budget (Accrual Basis)	Variance (Over) Under
<u>OPERATING REVENUES</u>			
Emergency telephone service charge	\$ 725,130	\$ 760,000	\$ 34,870
TECB - shared wireless charge	230,386	200,000	(30,386)
TECB - operational funding	346,917	288,000	(58,917)
Tower rental income	32,430	32,430	-
Miscellaneous income	13,889	13,500	(389)
Total Operating Revenues	<u>1,348,752</u>	<u>1,293,930</u>	<u>(54,822)</u>
<u>OPERATING EXPENSES</u>			
<u>Salaries and Wages</u>			
Director	74,330	74,493	163
Administrative personnel	236,154	237,290	1,136
Dispatchers	767,733	847,706	79,973
Overtime	35,489	50,000	14,511
Bonuses	23,000	23,706	706
Supplemental pay	3,011	5,000	1,989
Longevity pay	10,500	8,000	(2,500)
Sold vacation pay	5,335	7,000	1,665
College pay	1,030	1,050	20
Total Salaries and Wages	<u>1,156,582</u>	<u>1,254,245</u>	<u>97,663</u>
<u>Employee Benefits</u>			
Social security	83,319	97,480	14,161
Life insurance	12,619	15,934	3,315
Medical insurance	172,851	211,593	38,742
Dental insurance	11,695	15,063	3,368
Unemployment compensation	12,750	13,400	650
Retirement compensation	134,981	158,134	23,153
Other fringe benefits	4,634	11,500	6,866
Postemployment health benefit expense	104,879	143,000	38,121
Total Employee Benefits	<u>537,728</u>	<u>666,104</u>	<u>128,376</u>
<u>Contracted Services</u>			
Advertising	767	1,450	683
Audit services	8,748	9,300	552
Administrative fees - service charge	21,638	23,000	1,362
Fees paid to service providers	61,183	75,000	13,817

(Continued on next page)

BRADLEY COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
 BUDGET COMPARISON SCHEDULE
 For the Year Ended June 30, 2012
 (continued from previous page)

	Actual (Accrual Basis)	Budget (Accrual Basis)	Variance (Over) Under
<u>Contracted Services (continued)</u>			
Impact payments	79,900	80,000	100
Janitorial services	8,433	9,000	567
Legal services	8,880	9,000	120
NCIC/TBI/TIES expenses	8,000	13,200	5,200
Pest Control	-	500	500
Lease/Rental - buildings & facilities	2,400	2,400	-
Computer system administration	74,656	79,000	4,344
Maint and repairs - comm equip	78,253	91,600	13,347
Maint and repairs - bldg & facility	5,378	15,900	10,522
Maint and repairs - office equip	12,930	17,500	4,570
Total Contracted Services	<u>371,166</u>	<u>426,850</u>	<u>55,684</u>
<u>Supplies and Materials</u>			
Office supplies	9,508	13,600	4,092
Custodial supplies	4,045	4,200	155
Postage	429	1,300	871
Small equipment purchases	10,607	33,600	22,993
Uniforms and shirts	1,820	5,000	3,180
Utilities - electric	17,581	23,700	6,119
Utilities - general telephone	21,258	22,100	842
Utilities - cell phone and pagers	13,667	14,000	333
Total Supplies and Materials	<u>78,915</u>	<u>117,500</u>	<u>38,585</u>
<u>Other Charges</u>			
Board meeting expenses	2,972	5,000	2,028
Dues and memberships	1,478	2,000	522
Employee testing and exams	4,780	5,000	220
Insurance - workers compensation	4,812	5,000	188
Insurance - liability	10,725	13,400	2,675
Insurance - buildings and content	4,905	5,900	995
Insurance - equipment	412	415	3
Licenses and fees	176	300	124
Premiums on surety bonds	1,621	1,985	364
Service awards	473	500	27
Training expense	10,287	17,500	7,213
Travel expenses	15,217	20,000	4,783
Other charges	1,282	3,600	2,318
Total Other Charges	<u>59,140</u>	<u>80,600</u>	<u>21,460</u>

(Continued on next page)

BRADLEY COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT

BUDGET COMPARISON SCHEDULE

For the Year Ended June 30, 2012

(continued from previous page)

	Actual (Accrual Basis)	Budget (Accrual Basis)	Variance (Over) Under
<u>Depreciation</u>			
Depreciation expense	105,919	112,500	6,581
Total Depreciation	105,919	112,500	6,581
 Total Operating Expenses	 2,309,450	 2,657,799	 348,349
 Operating Loss	 (960,698)	 (1,363,869)	 403,171
 <u>NON-OPERATING REVENUES</u>			
Interest income	6,104	6,500	396
Contributions from primary government	900,000	900,000	-
Contributions from other governments	9,090	9,090	-
Non-Operating Revenue	915,194	915,590	396
 Net Loss	 \$ (45,504)	 \$ (448,279)	 \$ 402,775

REQUIRED SUPPLEMENTARY
INFORMATION

BRADLEY COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULES OF PENSION PLAN AND POSTEMPLOYMENT
BENEFITS FUNDING PROGRESS
June 30, 2012

Pension Plan

(Dollar amounts in thousands)						
Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 01, 2011	\$1,438	\$1,547	\$108	93.00%	\$1,018	10.63%
July 01, 2009	\$965	\$1,100	\$135	87.72%	\$1,018	13.27%
July 01, 2007	\$736	\$894	\$158	82.33%	\$1,028	15.37%

The Governmental Accounting Standards Board (GASB) requires the plan to prepare the Schedule of Funding Progress using the entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the Entry Age actuarial cost method was a change made during the year and therefore only the most current year is presented.

Postemployment Benefits

(Dollar amounts in thousands)						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
07/01/11	\$0	\$697	\$697	0.00%	\$1,185	58.80%
07/01/12	\$0	\$800	\$800	0.00%	\$1,157	69.14%

INTERNAL CONTROL
AND COMPLIANCE SECTION

HARTING, BISHOP & ARRENDALE, PLLC

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CERTIFIED PUBLIC ACCOUNTANTS

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Bradley County "911" Emergency
Communications District

We have audited the financial statements of Bradley County "911" Emergency Communications District, as of and for the year ended June 30, 2012 and have issued our report thereon dated November 19, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Bradley County "911" Emergency Communications District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Bradley County "911" Emergency Communications District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bradley County "911" Emergency Communications District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements,

noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2012-1.

Bradley County "911" Emergency Communications District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Harting, Bishop & Arrendale, PLLC

Harting, Bishop & Arrendale, PLLC

Cleveland, Tennessee

November 19, 2012

BRADLEY COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
For the Fiscal Year Ended June 30, 2012

The findings and recommendations as a result of the audit of the Bradley County "911" Emergency Communications District are presented below.

2012-1: Budget

Condition and Criteria: The District is required to maintain expenditures within budget amounts. Budget line items were over expended.

Effect: District has made expenditures in excess of the amounts budgeted.

Cause: The District had one account with expenditures in excess of the budgeted amount.

Recommendation: We recommend the District maintain the approved budget to ensure expenditures remain within budget.

Management Response: We agree with the auditors' findings and recommendations and have implemented budget procedures to ensure expenditures are budgeted and budgets are properly amended.